RECEIVING YOUR ASP MONEY

Loans

Although the ASP is designed to help you save for your future financial security, you may access the money in your account through the Plan's loan feature. You may take a loan if you are a Plan participant, even if you are no longer an active employee of Avaya. You may have one residential loan and one general purpose loan outstanding at any time. A residential loan is any loan used to acquire a dwelling unit that will within a reasonable time be used as your principal residence. A general purpose loan is any loan that is not a residential loan.

An advantage of taking an ASP loan is that the loan is *not* a taxable distribution because you repay the borrowed amount, plus interest, to your Plan account through payroll deductions on an after-tax basis. However, if you default on your loan, the outstanding balance is reported as taxable income to the IRS. Also, remember that you pay interest on a Plan loan rather than earning investment return on that money. The lost potential investment earnings could make a big difference in your account.

Note: Your balances in the IBEW-Sponsored Trust or the CWA-Sponsored Trust are *not* considered under the loan feature of the ASP.

What You Can Borrow

The minimum loan amount is $1,000. The maximum total loans you can have at one time is the lesser of: 50% of your vested ASP account balance, or $50,000 minus your highest outstanding loan balance during the previous 12 months. There is a one-time processing fee of $50 for each loan.

To find out the actual dollar amount you may borrow or to apply for a loan, you can use NetBenefits or call the Avaya 401(k) Plan Service Center.

If you have invested part of your account in the BrokerageLink® option, amounts invested in that option are taken into account when determining your maximum loan amount. However, those assets are not available to fund your loan amount unless you move the assets into one of the other investment options.

Interest on Your Loan

The interest rate on your loan is the prime rate in effect as of the last business day of the month before the month in which the loan is initiated. For this purpose, the prime rate is the interest rate reported in the Eastern edition of the *Wall Street Journal* in its general guide to money rates. The interest rate on your loan remains fixed throughout the term of your loan.

Loan Term

For a general purpose loan, the minimum term is one year and the maximum term is 56 months. For a residential loan, the minimum term is one year and the maximum term is 180 months. You may repay your loan in full at any time without penalty. If you want to pre-pay your loan, call the Avaya 401(k) Plan Service Center and they will walk you through the process.

Repaying a Loan

Generally, you repay your loan in equal installments over the term of the loan through after-tax payroll deductions, unless you pre-pay your loan.

All loan repayments, plus the interest you pay on your loan, will be credited to your account according to your latest investment elections on file, in reverse contribution type order. If you don't have any investment elections on file, or if you elected to invest your contributions in the IBEW-Sponsored Trust for Savings, repayments are invested in the appropriate default investment fund.

Repayment of your loan will be affected if you take an unpaid leave of absence (other than a military leave) or are unable to make repayments by payroll deduction (e.g., while receiving Workers' Compensation), as follows:

- While you are receiving Workers' Compensation or on an approved unpaid leave of absence, generally loan repayments will be suspended for up to 12 months. If you choose, you may continue to repay your loan by sending checks directly to the record keeper during your leave.
- If you return to work within 12 months, loan repayments will automatically resume by after-tax payroll deduction in equal installments over the remaining loan repayment period.
- If your absence is longer than 12 months, your loan will default at the end of 12 months of leave of absence unless you (1) begin making loan payments by sending checks directly to record keeper in equal installments over the remaining loan repayment period, or (2) repay the full amount of your outstanding loan.
- If your loan is not fully repaid at the end of 56 months (or 180 months for a residential loan), you must repay the balance in a lump sum or it will default.
- If you go on a military leave of absence while you have an outstanding loan, those loan payments are suspended for the entire period of your military leave, unless you choose to continue making loan payments. When you return from a military leave, you must contact the Avaya 401(k) Plan Service Center to discuss your options for resuming loan payments.

Renegotiating Your Loan

Generally, you may renegotiate or change the initial terms of your loan after you receive the money *only if* your compensation has been reduced due to demotion or sickness or accident disability.

To renegotiate your loan, call the Avaya 401(k) Plan Service Center. An Avaya 401(k) Plan Service Center representative will verify the circumstances for your renegotiation and contact you with details about your renegotiated loan. You cannot renegotiate an outstanding loan more than once a year.

The maximum term of your renegotiated loan cannot exceed 56 months from the *original* loan date of your general purpose loan or 180 months from the *original* loan date your residential loan.

Repaying Your Loan When No Longer on Payroll

If you terminate employment and still have a loan outstanding, you can (1) continue to make loan payments by check (coupon payment) or through electronic funds transfer from your bank account, (2) pre-pay the entire outstanding balance, or (3) allow the loan to default and become taxable to you.

Defaulting on Your Loan

- Your loan will default if:
- You are actively employed and do not make payments for 90 days or more.
- You do not repay your loan within five years from the original loan date for a general purpose loan or 180 months from the original loan date for a residential loan.
- You do not continue loan repayments or repay your outstanding loan balance within 90 days after you terminate employment (including retiring with a service pension).
- You are on a leave of absence and you do not resume making loan repayments or repay your outstanding loan balance by the last day of the 12th month of your unpaid leave of absence.
- You terminate employment (including retiring with a service pension) and take a full distribution of your Plan account balance without repaying the loan.
- You die.

If your loan is in threat of default, the Avaya 401(k) Plan Service Center will notify you of the outstanding loan amount due, the date by which it must be paid and where to send the payment. If you default on a loan, the unpaid balance is reported to the IRS as a taxable distribution. See the “Tax Information” Section for the tax rules for taxable distributions.

Withdrawals During Employment

The ASP allows three general types of withdrawals before you terminate employment to help you meet immediate financial needs:

- Non-hardship, in-service
- Hardship
- Special company contributions

The amount you may withdraw from your ASP account is subject to Plan and IRS rules. The rules vary by the type of withdrawal. When you take any in-service (partial) withdrawal, money will be taken from your investment options (except for your BrokerageLink® option) on a pro-rata basis. For example, if you take an in-service withdrawal of $1,000 and your account is invested 50% in the Stable Value Fund and 50% in the U.S. Small-Cap Fund, your $1,000 withdrawal will be withdrawn $500 from the Stable Value Fund and $500 from the U.S. Small-Cap Fund. Additionally, money for any withdrawal will be taken from your money types, or sources, (i.e., pre-tax, after-tax, rollover, etc.) based on a predetermined order, or hierarchy, and that hierarchy varies depending on the type of withdrawal you request. Please note that no funds will be withdrawn from your BrokerageLink® option. Instead, you must transfer funds from your BrokerageLink® option to the other investment options if the amount of your withdrawal exceeds the full amount available from those other investment options.

Before you request any type of withdrawal from your ASP account, consider the tax consequences. Because tax laws are complex, you also may want to consult a professional tax advisor. If you decide to request the withdrawal, call the Avaya 401(k) Plan Service Center.

Non-Hardship, In-Service Withdrawals

If you are under age 59½ and you have not separated from service with Avaya or a participating company, you may request two types of non-hardship withdrawals: with and without suspension.

If you receive non-hardship withdrawals in any calendar year that exceed the amount available to you under the non-hardship non-suspension category, your contributions and company matching contributions will be suspended for six months.

If you are at least age 59½, you may withdraw your entire ASP account balance.

You may take an unlimited number of non-hardship, in-service withdrawals in a year. For any non-hardship, in-service withdrawal your minimum withdrawal is the lesser of $300 or the amount of your account balance available for withdrawal.

Hardship Withdrawals

If you are not at least 59½ and are still employed, you may withdraw pre-tax contributions and pre-1989 earnings on them *only* if:

- You have an immediate and heavy financial need that cannot be met by other financial resources, including a loan or a non-hardship withdrawal (you must exhaust these resources before you can take a hardship withdrawal).
- Your immediate and heavy financial need is to:
  - Pay severe, uninsured medical expenses incurred by you, your spouse or your eligible dependents,
  - Purchase your principal residence (not including mortgage payments),
  - Pay post-secondary education tuition and related expenses for you, your spouse or your dependents,
  - Prevent foreclosure on, or eviction from, your principal residence,
  - Repair or renovate your home due to damage resulting from a fire, natural disaster or similar unforeseeable event,
  - Pay extraordinary legal expenses, or
  - Pay for funeral expenses for your immediate family.
- You provide acceptable proof of your financial hardship.
- You cannot withdraw pre-tax funds that exceed the amount of your hardship need plus the amount of your potential tax liability on such withdrawal.
- You must receive your hardship withdrawal in cash only.
- Your contributions and the Company's matching contributions are suspended for six months when you receive a hardship withdrawal.

Special Company Contributions Withdrawal

You may request a withdrawal of your special company contributions at any time, subject to the Plan's minimum withdrawal requirement of $300. (The special company contributions were contributions of Lucent common stock made between August 1998 and August 1999 to participants in the Lucent Technologies Inc. Savings Plan.) If you withdraw your special company contributions, your contributions will not be suspended.